

Message Text

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PAGE 01 STATE 041065
ORIGIN L-03

INFO OCT-01 ARA-10 ISO-00 H-01 SAB-02 SS-15 INR-10
/042 R

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-----045951 170600Z /15 R
R 161601Z PEB 78
FM SECSTATE WASHDC
TO AMEMBASSY PANAMA

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E.O. 11652: N/A

TAGS: EFIN, PN

SUBJECT: SECURITY OF OUTSTANDING PANAMANIAN BONDS

REF: PANAMA 00995

1. THE APPROACH SUGGESTED IN PARA. 2 REFTEL MAY BE AS EFFECTIVE IN A LEGAL SENSE AS THAT INITIALLY PROPOSED, BUT, IN DEPARTMENT'S VIEW, WOULD NOT PROVIDE SUFFICIENT REASSURANCE DOMESTICALLY TO ALLEVIATE THE PRESENT POLITICAL PROBLEM. A ONE SENTENCE ACKNOWLEDGEMENT BY PANAMA OF A PROPOSED U.S. MODIFICATION OF PANAMA'S PRIOR PAYMENT INSTRUCTIONS WOULD APPEAR TO BE A VERY MINIMAL COMMITMENT BY PANAMA. ADOPTION OF THIS APPROACH WOULD ALSO BE VIEWED AS A RETREAT FROM EARLIER POSITION ENDORSED BY BARLETTA AND COMMUNICATED TO U.S. SENATORS AND MAY BE READ AS INDICATIVE OF AN UNWILLINGNESS BY PANAMA TO MAKE A STRONG COMMITMENT. FINALLY, REVERSAL OF THE ORDER OF EXCHANGE
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WOULD NOT SEEM TO OFFER ANY ADVANTAGE TO PANAMA, SINCE IT WOULD PUT PANAMA IN THE POSITION OF RESPONDING TO A U.S. INITIATIVE RATHER THAN ACTING AFFIRMATIVELY.

2. DEPARTMENT CONTINUES TO PREFER APPROACH INITIALLY SUGGESTED. IF REVERSAL OF THE ORDER OF EXCHANGE IS

NECESSARY IN ORDER TO BREAK THE CURRENT IMPASSE, THE

S. NOTE SHOULD BE IN TERMS OF CONFIRMING THE UNDER-
U-S. NOTE SHOULD BE IN TERMS OF CONFIRMING THE UNDER-
STANDING REACHED IN OUR DISCUSSIONS WITH BARLETTA, AND
THE PANAMANIAN REPLY SHOULD INCORPORATE THE FULL TEXT OF
THE U.S. NOTE SO AS TO GIVE SOME SUBSTANCE TO PANAMA'S
COMMITMENT.

3. WE CONSIDER IT ESSENTIAL THAT, AT A MINIMUM, THE U.S.
NOTE REFER TO OUR EARLIER CONVERSATIONS IN ORDER TO AVOID
THE IMPLICATION THAT THE PROBLEM IS A U.S. CONCERN TO
WHICH PANAMA IS RESPONDING. RATHER, THE PROBLEM IS BE-
TWEEN PANAMA AND THE HOLDERS OF ITS BONDS, AND WE ARE
MERELY ATTEMPTING TO FACILITATE A MUTUALLY SATISFACTORY
RESOLUTION AS BETWEEN THOSE PARTIES. VANCE

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

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Decaption Date: 01 jan 1960
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Disposition Approved on Date:
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